No. 94-1563

Supreme Court, U.S.
FILED
MAY 2 1995
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

CADILLAC PRODUCTS, INC.,

Petitioner,

—v.—

TRIENDA CORP.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY MEMORANDUM

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OCTOBER TERM, 1994

CADILLAC PRODUCTS, INC.,

Petitioner,[1]

v.

TRIENDA CORP.,

Respondent.

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY MEMORANDUM

In *Penda Corp. v. United States*, the Court of Appeals for the Federal Circuit ("Federal Circuit") held that a third-party defendant indemnitor of the United States Government ("Government") lacked standing independent of the Government to appeal a judgment by the United States Court of Federal Claims ("Claims Court") of patent infringement against the Government. (Pet. at 10a). The Federal Circuit further stated, in *dicta*, that the Claims Court decision would have no preclusive effect in any subsequent action brought against Cadillac. (Pet. at 10a). As a result, the Federal Circuit has ensured that the Government will be faced with unnecessary litigation on liability issues. Alternatively, the decision will leave third-party defendants situated similarly to petitioner Cadillac Products, Inc. ("Cadillac") without a full appellate remedy. Either alternative brings with it adverse consequences, the far-reaching effects of which necessitate that this Court issue

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[1] Cadillac incorporates herein the List Of Parties set forth in its Petition.

a writ of certiorari to review the decision of the Federal Circuit.[2] Respondent TriEnda Corporation ("TriEnda") simply ignores these consequences in its Opposition.

A. If The Claims Court's Decision Is Not Given Preclusive Effect, The Government Will Be Faced With Additional, Unnecessary Litigation

If the Claims Court's decision is not given preclusive effect, the Government will be required to relitigate the underlying patent issues in an action against an indemnitor. (Pet. at 11). Should the Government seek indemnification, Cadillac, unless precluded from doing so, will raise the defenses of invalidity and non-infringement. Accordingly, the Government will be forced to revisit the patent issues in the indemnification proceeding, this time as a *proponent* of patent validity and infringement.[3] Alternatively, if Cadillac is allowed to maintain its appeal independent from the Government, the Claims Court's decision will be given preclusive effect against

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[2] TriEnda States that these adverse consequences have not yet materialized. (Opp. at 13). That is because prior to the Federal Circuit's decision, there was no dispute as to whether an indemnitor who joined in a Claims Court action would be bound by the judgment of liability in any subsequent proceeding. (Pet. at 7). If the Federal Circuit's decision is allowed to stand, however, the chances increase significantly that such consequences will be much more common in the future.

[3] TriEnda proposes that an indemnitor may avoid this result by contracting for the Government's participation in any appeal. (Opp. at 13-14). This suggestion, however, is untenable because it will result in the Government's participation in unnecessary litigation. Moreover, TriEnda's proposal substantially increases the likelihood that the Government would participate in every appeal involving a third-party indemnitor.

Cadillac, and the Government will not be required to relitigate the patent issues in any subsequent action for indemnification.

B. If The Federal Circuit's Decision Is Given Preclusive Effect, Cadillac Will Be Denied A Full Appellate Remedy

Cadillac's primary concern, as a potential indemnitor, is that any court deciding the issue of indemnification *may* give preclusive effect to the Claims Court's decision below. (Pet. at 10-11).[4] In that instance Cadillac, as well as any similarly situated third-party defendant, would be left without a full right of appeal. TriEnda concedes as much, stating that "none of the substantive patent issues tried to the Court of Federal Claims will be relevant to the issues in a subsequent indemnification suit." (Opp. at 8). In other words: Cadillac has had its day in court on the patent issues; the Claims Court has decided those issues in a manner adverse to Cadillac's interests; Cadillac will have no right to appeal the Claims Court's decision; and in any subsequent action for indemnification, Cadillac will be precluded from making any arguments about the patent issues.

C. The Underlying Liability Issues Are Relevant To Any Subsequent Indemnification Proceeding

Remarkably, TriEnda claims that none of the liability issues decided by the Claims Court will be relevant in a subsequent indemnification action. (Opp. at 8). TriEnda fails to address the fact that Cadillac's liability as an indemnitor, as is the case with *all* Government indemnitor liability, depends in the first instance upon a judgment against the Government in the principal case. It is axiomatic that there can be no liability

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[4] TriEnda thus misinterprets Cadillac's position as somehow urging "that the adverse decision *must* be given preclusive effect." (Opp. at 8) (emphasis added).

running to an indemnitor, such as Cadillac, if there is no judgment against a defendant, such as the Government. *See Kicklighter v. Nails by Jannee, Inc.*, 616 F.2d 734, 738 n.1 (5th Cir. 1980) ("if no liability were established between the original plaintiff and the defendant then the claim for secondary liability no longer would exists"). Clearly, the underlying patent issues are relevant to any subsequent action for indemnification brought against Cadillac.

D. The Effect Of The Federal Circuit's Decision is Ambiguous

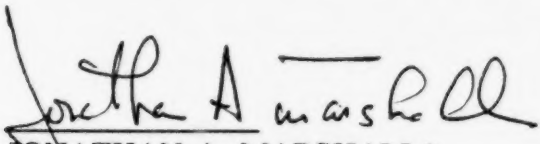
Although the Federal Circuit states, *in dicta*, that the Claims Court's decision is not to have preclusive effect against Cadillac, a consistent application of the Federal Circuit's decision is far from guaranteed because of prior Claims Court precedent to the contrary. (*See* Pet. at 7-8). The Federal Circuit's *dictum* cannot overrule this precedent.

TriEnda's Opposition highlights the ambiguity of the decision's effect. On the one hand, TriEnda states that Cadillac will be unable to retry the underlying patent issues in any subsequent proceeding. (*See* Opp. at 8 ("it is unlikely that the issues of patent validity and infringement will be relevant in any subsequent indemnification suit"); and Opp. at 15 ("the substantive issues of patent validity and infringement, fully tried and decided in the Court of Federal Claims, would not be relevant in a subsequent indemnity suit brought in the United States District Court"). On the other hand, TriEnda states that "the decision of the Federal Circuit indicates that such parties would *not* necessarily be precluded from arguing the issues in a subsequent suit in which such issues are relevant." (Opp. at 13) (emphasis added). Not even TriEnda, who now argues the correctness of the Federal Circuit's decision, is able to explain what it means. The only thing that is clear is that either interpretation brings undesirable results.

CONCLUSION

For the foregoing reasons, and for the reasons stated in Cadillac's petition, Cadillac respectfully urges this Court to issue a writ of certiorari to review the decision of the Federal Circuit below.

Respectfully submitted,



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